



Annual Audit Letter on the 2018/19 External Audit West Yorkshire Fire and Rescue Service

October 2019

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1. Letter to Members

The Members
West Yorkshire Fire and Rescue Service
Oakroyd Hall
Bradford Road
Birkenshaw
BD11 2DY

10 October 2019

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2019.

Although this letter is addressed to the Members of West Yorkshire Fire and Rescue Service (“the Authority”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at www.psaa.co.uk and on the Authority’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psaa.co.uk.

This letter has been discussed and agreed with the Chief Finance and Procurement Officer. A copy of the letter will be provided to all Members.

This is our first year as the external auditor of the Authority following the transition of the PSAA contract in 2018/19. Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Authority’s own agenda.

Paul Hewitson
Audit Director
for and on behalf of Deloitte LLP
Newcastle Upon Tyne, United Kingdom

2. Key Messages

Statement of Accounts	
Unqualified opinion issued on 31 July 2019	<p>In 2018/19 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS") as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and other relevant legislation.</p> <p>The Statement of Accounts was prepared and audited in accordance with the agreed timetable.</p> <p>Through our audit planning we identified three significant risks of material misstatement which we addressed through our audit. These were:</p> <ul style="list-style-type: none"> • accuracy of valuation of property assets; • management override of controls; and • completeness of expenditure. <p>Materiality for the Authority's accounts was set at £1,840,000.</p> <p>We issued an unqualified audit opinion on the Statement of Accounts on 31 July 2019.</p>
Value for Money (VfM) conclusion	
Unqualified opinion issued on 31 July 2019	<p>We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office, namely whether the Authority has in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>We issued an unqualified opinion in respect of the VfM conclusion on 31 July 2019.</p>
Annual Governance Statement	
All relevant governance matters were adequately and appropriately disclosed	<p>We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.</p>
Whole of Government accounts	
The Authority is below the audit threshold	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Authority falls below the threshold where an audit is required.</p> <p>As required we have confirmed this fact to the National Audit Office by the national deadline of 13 September 2019.</p>

Financial reporting systems

Weaknesses in internal control were identified

During our audit we identified a number of areas for improvement in internal controls and procedures including 5 recommendations relating to the areas of significant risk outlined above.

3. Responsibilities and Scope

Responsibilities of the Authority and Auditors

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- the Authority's accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the National Audit Office in November 2017, in respect of local government bodies for the financial year ended 31 March 2019.

4. Audit of the Accounts

Statement of Accounts	
Unqualified opinion issued on 31 July 2019	<p>Before we give our opinion on the accounts, we are required to Report to Those Charged with Governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit Committee on 26 July 2019.</p> <p>Materiality for the Authority's accounts was set at £1,840,000 which equated to 2% of gross expenditure. The level of materiality shapes and informs the extent of the audit work we undertook, including review of balances which are below this which exhibit particular characteristics. This assists in the identification of transactions and balances which were likely to give rise to material misstatements, and in determining the extent of work undertaken in respect of the areas we judged to contain such risks.</p> <p>Our Report to Those Charged with Governance, in the case of the Authority, the Audit Committee, set out the details of any errors identified during the audit which were greater than £92,000, our clearly trivial threshold.</p> <p>The final Statement of Accounts upon which we issued our opinion contained two residual errors which remained unadjusted, these are set out in more detail below.</p> <p>Our audit work was designed to specifically address the following significant audit risks:</p> <ul style="list-style-type: none"> • Whether property subject to revaluation in the year had been correctly stated – We obtained an understanding of the key controls in place around the revaluation of the Authority's property and performed detailed testing of the revalued assets including seeking the view of our internal valuation specialists as to whether the methodology employed by the Authority appeared reasonable. Whilst our work did not identify any errors requiring correction we did raise two recommendations concerning the way in which assets are broken down into their main elements as part of the valuation process and the inclusion of interest costs in final estimated value of properties. • Whether the Authority's controls had been bypassed by management in the preparation of the financial statements (Management override of controls) – We obtained an understanding of the key controls in place around journal entries and judgements made in the preparation of the financial statements. Using Computer Assisted Auditing Tools we identified a number of journals which exhibited characteristics of audit interest and performed detailed testing on these journals. We also reviewed the key accounting judgements for bias. Whilst our work did not identify any errors requiring correction we did raise a recommendation concerning the process for reviewing and approving journals. • Whether the Statement of Accounts contained all of the expenditure relating to the year ended 31 March 2019 (Completeness of expenditure) – We obtained an understanding of the controls in place that management rely upon to ensure that year-end transactions are correctly brought into (accrued) the expenditure reported for the year. We selected a sample of items recorded in expenditure in April 2019 and confirmed whether they

Statement of Accounts	
	<p>had been included in or excluded from the total reported in 2019. We noted 6 errors within our testing which we estimated indicated that expenditure reported in the statement of accounts was understated by £294,000. In addition to reporting this error we made recommendations to improve the process to identify these items in future years.</p> <p>We issued an unqualified opinion on the Authority's 2018/19 accounts on 31 July 2019, in accordance with the deadline set for local government bodies. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority as at 31 March 2019 and its income and expenditure for the year then ended.</p>
Key issues from work performed on the Statement of Accounts	
We identified two uncorrected misstatements	<p>We received a set of draft accounts in line with the agreed deadline, which were supported by working papers.</p> <p>Through our audit we identified a wide range of errors, including errors in the comparative financial information, which we communicated to the Authority for correction.</p> <p>Following corrections the final Statement of Accounts upon which we issued our opinion contained two remaining errors.</p> <p>The first error concerned the calculation of depreciation and the calculation of the amount of depreciation to be reversed upon revaluation (these entries can be found in note 14 of the Statement of Accounts). The error resulted in depreciation being overstated by £1,091,000 with the reversal of depreciation being similarly overstated by £1,091,000 resulting in no overall impact on the value of property at the year end.</p> <p>The second error, as referred to above arose from our testing on whether all expenditure for the year had been reported. Based upon the 6 omissions identified we estimated that there was a likely error of £294,000 which would have increased the expenditure reported in the year.</p>
Annual Governance Statement	
The Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements	<p>As appointed auditors, we review the Annual Governance Statement ("AGS") and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Authority's Governance arrangements.</p> <p>We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.</p>
Powers and Duties	
We did not receive any questions about the accounts	<p>Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p>

Statement of Accounts	
or make any public interest reports	<p>We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>
Whole of Government accounts return	
The Authority is below the audit threshold	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office by the national deadline of 13 September 2019.</p>
Audit Certificate	
We have issued our certificate	<p>We issued our certificate on 31 July 2019. The certificate confirms that we have concluded the audit for 2018/19 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>

5. Value for Money

Background and approach

The approach to our audit work in relation to value for money (“VFM”) was specified by the National Audit Office.

We are required to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Authority.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We did not identify any significant risks as part of our risk assessment.

The VFM conclusion

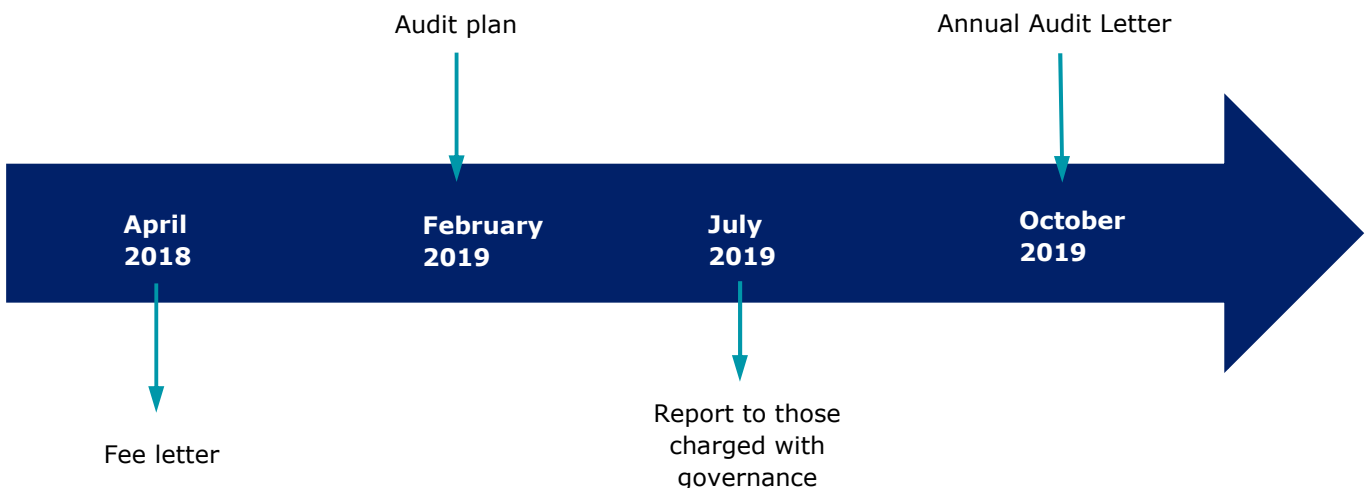
Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2018/19 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2018/19 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- The Report to Those Charged with Governance on the 2018/19 audit of the Authority; and
- This Annual Audit Letter.



Analysis of audit fees

Audit fees charged are as follows:

	2018/19 £
Scale fees for the audit of the Authority's annual accounts, VfM conclusion and whole of government accounts return	27,782

As set out in our Report to Those Charged with Governance, the issues encountered during the audit resulted in substantially more audit work being required than was originally planned. Consequently we are currently in negotiations with management to agree an appropriate sum of additional audit fees to reflect the additional work that was required.

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

We confirm that we comply with FRC's Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

In our opinion there are no inconsistencies between FRC's Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

No matters impacting our independence have arisen during the year.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.



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